

**REPORT OF THE AUDIT OF THE
FORMER MEADE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
FORMER MEADE COUNTY SHERIFF**

**For The Year Ended
December 31, 2006**

The Auditor of Public Accounts has completed the former Meade County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$106,976 from the prior year, resulting in excess fees of \$107,324 as of December 31, 2006. Revenues increased by \$172,309 from the prior year and expenditures increased by \$60,505.

Deposits:

The former Meade County Sheriff's deposits as of December 31, 2006 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$413,380

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable Clifford Wise, Former Meade County Sheriff
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of Meade County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2007 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable Clifford Wise, Former Meade County Sheriff
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Meade County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 9, 2007

MEADE COUNTY
CLIFFORD WISE, FORMER SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State - Kentucky Law Enforcement Foundation Program Fund		\$	31,776
State Fees For Services:			
Finance and Administration Cabinet	\$	76,818	
Cabinet For Human Resources		<u>240</u>	77,058
Circuit Court Clerk:			
Fines and Fees Collected			12,477
Fiscal Court			101,992
County Clerk - Delinquent Taxes			4,076
Commission On Taxes Collected			429,263
Fees Collected For Services:			
Auto Inspections		7,730	
Accident and Police Reports		2,786	
Carrying Concealed Deadly Weapon Permits		8,515	
Drug Taskforce Reimbursement		29,466	
Forfeitures		77,377	
Mental Transport		745	
Reimbursements		800	
Add on Fees		27,239	
Meade County Schools DARE Reimbursement		19,450	
Serving Papers		30,105	
County Ordinance Fee		10,913	
Advertising Fees		765	
Miscellaneous		<u>27,536</u>	243,427
Interest Earned			27,369
Borrowed Money:			
State Advancement		50,000	
Bank Note		<u>39,992</u>	<u>89,992</u>
Total Revenues			<u>1,017,430</u>

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 CLIFFORD WISE, FORMER SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	439,828
Kentucky Law Enforcement Foundation Program Fund		26,767

Employee Benefits-

Employer's Share Social Security	38,223
Employer's Share Retirement	3,110
Employer Paid Health Insurance	49,471

Materials and Supplies-

Office Materials and Supplies	17,733
DARE Supplies	935
Police Supplies	7,470
Uniforms	8,329

Auto Expense-

Gasoline	49,014
Maintenance and Repairs	6,147

Other Charges-

Advertising	641
Computer Maintenance	3,650
Postage	6,680
Insurance	16
Extradition Expense	5,591
Marijuana Eradication Program	504
Meals For Jurors	136
Meade County Ordinance Fee	10,790
Per Diem	3,773
Radio and Telephone	20,552
Carrying Concealed Deadly Weapon Permits	5,530
Sheriff's Sale Expense	14,011
Training	1,247
Miscellaneous	677

Capital Outlay-

Vehicles	24,710	\$	745,535
----------	--------	----	---------

Debt Service:

State Advancement	50,000
Bank Note	39,992
Interest	285
	<u>90,277</u>

Total Expenditures

835,812

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 CLIFFORD WISE, FORMER SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Net Revenues		\$	181,618	
Less: Statutory Maximum			<u>74,294</u>	
Excess Fees Due County for 2006				107,324
Payments to Fiscal Court :				
January 4, 2007	\$	10,000		
February 28, 2007		21,698		
March 13, 2007		<u>75,626</u>		<u>107,324</u>
Balance Due Fiscal Court at Completion of Audit			\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that May be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MEADE COUNTY
 CLIFFORD WISE, FORMER SHERIFF
 NOTES TO FINANCIAL STATEMENT
 December 31, 2006
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2006, \$413,380 of public funds were exposed to custodial credit risk as follows:

- Uninsured and Unsecured \$413,380

MEADE COUNTY
CLIFFORD WISE, FORMER SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Drug Awareness Resistance Education Fund

The former Meade County Sheriff maintained a Drug Awareness Resistance Education (D.A.R.E.) fund. This fund provided a salary for an officer to promote drug awareness and drug prevention among local youth. The D.A.R.E. fund had a balance of \$3,749 on January 1, 2006. Receipts for the year were \$3,330 and disbursements were \$7,079, leaving a balance of \$0 as of December 31, 2006.

Note 5. Forfeiture Account

The former Meade County Sheriff maintained a Forfeiture account fund. The Forfeiture Account fund had a balance of \$1 as of January 1, 2006. Receipts for the year were \$0 and disbursements were \$1, leaving a balance of \$0 as of December 31, 2006.

Note 6. Related Party Transactions

During the year ended December 31, 2006 the former Meade County Sheriff's office conducted business with Meade County Bank. The former Meade County Sheriff's office manager is an officer and employee of Meade County Bank. This matter has been referred to the Meade County Ethics Board for review.

Note 7. Bank Advances

On July 27, 2006, the former Meade County Sheriff entered into a loan agreement to borrow up to \$100,000 from Meade County Bank. During the year, \$39,992 was drawn on the note. The note was repaid on November 28, 2006 with interest at 6.75 %.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Craycroft, Meade County Judge/Executive
The Honorable Clifford Wise, Former Meade County Sheriff
The Honorable William Kerrick, Meade County Sheriff
Members of the Meade County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Meade County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated May 9, 2007. The former Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Meade County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Meade County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Meade County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Meade County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 9, 2007

